

Message Text

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ACTION AF-08

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E. O. 11652: N/A
TAGS: EINV, NI
SUBJ: INDIGENIZATION - IBM

1. EMBOFFS DISCUSSED IMPACT OF NEW INDIGENIZATION WITH HARRY JONES, LOCAL IBN MANAGING DIRECTOR. JONES CONFIRMED THAT IBM IS RESISTING PRESSURE FROM FMG TO INDIGENIZE AT LEAST 40 PERCENT OF IBM NIGERIA LTD. SAID THAT IBM PHILOSOPHICALLY OPPOSED TO ANY FOREIGN EQUITY OWNERSHIP OF ITS SUBSIDIARY OPERATIONS ABROAD. IBM HAS MADE A COUNTER OFFER TO FMG IN A NOVEMBER 23, 1976 LETTER TO NEPB CHAIRMAN AL-HAKIM FROM HONES PROPOSING THAT THE FMG/PRIVATE NIGERIAN CITIZENS BUY STOCK IN PARENT IBM ORGANIZATION IN LIEU OF STOCK ACQUISITION IN LOCAL SUBSIDIARY. IF FMG INSISTS ON 40 PERCENT INDIGENIZATION, IBM WILL CLOSE DOWN SUBSIDIARY AND REPLACE IT WITH A NIGERIAN WHOLLY OWNED SALES AND SERVICE AGENCY. JONES ADDED THAT IBM PRODUCTS WOULD COST MORE UNDER AGENCY ARRANGEMENT. ALSO SERVICE COULD DETERIORATE.

2. EMBOFFS SAID THAT RECENT CONVERSATIONS WITH FMG OFFICIALS INDICATE THAT FMG MOST UNLIKELY TO GRANT EXEMPTIONS TO MINIMUM 40 PERCENT INDIGENIZATION RULE, BUT SUGGESTED THAT IBM SHOULD ALSO DISCUSS PROBLEM WITH MININDUSTRIES AND FINANCE OFFICIALS. ALSO NOTED THAT FMG NOT INTERESTED
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INDIGENIZING STOCK OWNERSHIP PRIMARILY FOR INVESTMENT PURPOSES BUT RATHER TO ENSURE THAT CONTROL OF LOCAL INVESTMENTS IS AT LEAST PARTLY IN NIGERIAN HANDS.
COMMENT: NOT LIKELY THAT NEPB WILL ACCEPT IBM PROPOSAL INVOLVING SALE OF STOCK IN PARENT IBM CORPORATION. THUS IBM/FMG CONFRONTATION PROBABLY CANNOT BE AVOIDED.

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